

Planning Your Business

A Guide to Preparing A Business Plan and Cash Flow



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INTRODUCTION

What is a Business Plan?

A business plan helps determine if your business is likely to be viable, and focuses your efforts to improve your chances of success. As you prepare your plan you will get answers to key questions: Is my business viable? What are the strengths and weaknesses of my business? Who are my customers, and how do I plan to get them to buy from me? Who are my competitors? What skills will I need to properly run this business?

Business plans are mostly for YOU! Some people see a business plan simply as work they have to do to get money from a bank or investor. Not so! Business plans are very effective at making your business more successful, and reducing the chances of failure. This is why banks, investors and lenders like Community Futures requires them.

Business plans Work!

There are two parts to your business plan:

Your Vision. A description of your business, covering the products you are selling, who your customers are, how you will make them buy from you, who your competition is, etc. This is where you explain your plans for today, and areas of expansion for tomorrow.

Your Financial Needs. A summary of the money needed to get your business of the ground, or change/expand/refinance your existing one. It includes projection of the sales, cash and expenses that you expect your company to have over the next one to three years.

How do I use this package?

The package leads you through both the Vision and Financial sections of your business plan. Each section has several parts, with each part containing a list of questions. Your business plan is made up of the answers to those questions.

The business plan package has “fill-in-the-blank” pages for each section. On one page is a list of questions for that section. On the other is space for each section, for you to write your answers. You should answer any questions that apply to your business.

You do not have to use the “fill-in-the-blank” format; you are free to use any format you wish. However, be sure that your plan covers the areas outlined in this package.

Name of Applicant(s):		
Name of Company:		
Type of Company:		
Mailing Address:		Postal:
Street Address:		Postal:
Home Phone ☎	Work Phone ☎	Fax:
Email:	Web Page:	

<p>Your</p> <p>Vision</p>

PLANNING YOUR BUSINESS

The Keys to a Business Plan.

A business plan has four key parts:

1. Description of the business.

- Your Products – the goods or services you will provide.
- Your Customers – the people who will buy your products, and why they will buy.
- Your Marketing Plan – how you will tell your customers to buy from you.
- Your Competition – other companies who are ordering for your customers.

2. Market Research

- Customer surveys; the experience of firms doing similar things; feedback from trade associations, Chambers of Commerce, and other related business organizations.

3. Management

- The skills and abilities of the people who will be setting the direction for the company.

4. Financial Projections & History.

- Cashflow forecast for the first 12 months of operation.
- Financial records from historical operations (when you are buying an existing business.)

A. **DESCRIPTION:** Your Products.

A product is a good you sell or a service you provide. Your business may focus on one type of product, or it may offer several kinds. It is crucial that you have a clearer understanding of the different kinds of products you offer (or plan to offer) because this will help you identify who your customers are.

Concentrate on major types of product rather than listing every single item. Consider these examples:

- A retail jewelry store might have four areas (fine gold jewelry, fashion jewelry, giftware and china/crystal/silverware) or it may focus on one or two of these areas.
- A carpenter offering a full range of services may have two areas: major jobs (house construction, sun decks and trusses) and basic home renovation/maintenance.
- A Restaurant may offer catering services to hotels and cater private functions (home & office parties, special events, etc.) – three areas in total.

The reason for listing each of these separately is that each area will have different types of customers with different needs. You may want to promote each area of your business in a different way from the others, since the advertising that reaches one market may not reach others.

Your Products

(The goods you sell or the services you provide.)

Product #1:

Product #2:

Product #3:

Product #4:

(Additional products, please use separate page.)

PLANNING YOUR BUSINESS

B. DESCRIPTION: Your Customers

1. Your Market Area.

Where do your customers live? Are you appealing to people in your community? Can you draw on several communities in a region? Will you be actively selling to people in Northwestern B.C.? Focus on your main market areas.

2. Your Customers.

Who are your customers? What do they want? Why do they buy your type of product – what needs does it fulfill? For each of your products, consider your:

Main Customers – The people who will use your products the most and will provide the majority of your sales.

Secondary Customers – people who will buy your products but will not be your main customers.

**For many firms 80% of sales come
from 20% of the customers!**

3. Demand for Your Products.

For each of your main types of products (the goods you sell or services you provide) is your market growing, shrinking or stable? Do you expect any major changes in the demand for your types of products in the near future (within five years)? Focus on the overall demand for your types of products, not the demand for your business.

PLANNING YOUR BUSINESS

Your Customers

1. Your Market Area

2. Your Customers

Product 1

Product 2

Product 3

3. Demand for your Products

PLANNING YOUR BUSINESS:

C. DESCRIPTION: Your Marketing Plan

1. Marketing Strategy.

How will you tell your customers about your products and convince them to buy from you?

Marketing is more than just advertising. Your marketing strategy is where you promote our products and your firm, trying to create a perception of value among your customers. This could include areas such as customer service, discounts, special sales, charities/causes your business may support, and advertising.

Show marketing costs on your Cashflow!

2. Price

How do your prices compare with those of your competitors? Keep in mind three things:

1. If your products are *more expensive* than your competitors, why will your customers be willing to pay extra price?
2. If your products are *cheaper* than your competitors, can that affect the way that customers view the value of your products?
3. If your products are *the same price* as your competitors do you have other plans to set yourself apart from the rest?

3. Location

Your locations can be a vital part of your success, depending on the kind of business you are in. Location will be crucial for retail sales and consumer services, along with some business-oriented services. Location is not crucial for all firms – wide ranges of firms are run from home, including accounting, marketing, word processing and so on.

PLANNING YOUR BUSINESS

DESCRIPTION: Your Competitors

One of the main keys to your success will be in establishing a market niche for your business. To do this you must understand who your competitors are, where their strengths are and more importantly, where they are weak.

Disposable income is limited and many businesses are competing for it! There is only a limited amount of “spending money” and many different ways of spending it. Every product has a competition of some kind and it is important to know who your competitors are.

When looking at your competition include direct competitors and substitutes. Substitutes are products that are different from yours but can compete for your market. For example, an ethnic restaurant may have no direct competition, but would still compete with other firms that cater to the “dine-out” market.

<p>What do your competitors do right? Why will your customers use you?</p>
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1. Competitors

Who are your competitors? Are they expanding? Are new competitors starting up or moving into your market? Is the market saturated?

Look closely at your competitors’ market “niche”. Are they appealing to certain types of customers? Are they focusing on certain features of their products? Why do people buy from them? This info can give you many ideas how to set your company apart from the crowd and create your own niche.

2. Advantage & Disadvantages of Your Products

What advantages do your products offer compared with the products of your competitors? What are the disadvantages, relative to those available through your competitors?

3. Your Company’s Strengths/Weaknesses

What are the strengths of your company (not your products) compared with your competitors? What are your weaknesses compared with your competitors?

4. Your Plans to Overcome Weaknesses/Disadvantages

How will you overcome your weakness or disadvantage of your product? What are your plans to improve weak areas? This is a crucial area and one that should be looked at your plans to improve weak areas? This is a crucial area and one that should be looked at very closely.

Your Competitors

1. Major Competitors

	Store/Product	Store/Product
A.		
B.		
C.		
D.		

2. Your Products

Advantages	Disadvantages

3. Your Company

Strengths	Weaknesses

4. Your Plans to Overcome Weaknesses/Disadvantages

PLANNING YOUR BUSINESS:

D. MARKET RESEARCH

Market research plays a very important part in determining whether your business idea is viable. What it really boils down to is asking your customers whether they will buy your product. If properly done it should help you answer very important questions such as:

- Will the customers buy your product?
- Are they interested in the benefits your products offer?
- What features are important to them? Why do they buy?
- Where do they look when deciding what to buy (newspapers, flyers, radio, TV, etc.)?
- How much will they buy?
- What prices do they expect to pay?

Market research can be simple and straightforward to do. You do not need to hire an outside company: in fact, the best market research is often the kind you do yourself. How you do the research will depend on the type of business you want to start and the natures of your customers. You may wish to consider checking in these areas:

- The customers themselves. These may be the final consumers or firms re-selling your products to those consumers.
- Firms providing similar products in similar markets. The closer the match, the more valuable the information. Try to find similar sized markets to your own.
- Trade & Business Associations. Trade associations can give you valuable insights into current trends and development in your field, as can business associations such as the local Chamber of Commerce, tourism association, etc.
- Statistics. Industry averages for the cost of goods, advertising, etc. can give good guidelines on how others run their businesses. Housing starts, business licenses, population age groups and various other information may be important indicators of your potential market.

On the next page are examples of questions you may want to ask when talking to customers and similar firms. Statistics are available from business libraries at organizations such as the Prince Rupert Economic Development office, Community Futures, the Chamber of Commerce, Prince Rupert Regional Library, Northwest Community College Library, Hecate Strait Employment Society and City Hall.

Tips for Surveys

- Market surveys should be brief.
 - Avoid asking too many questions.
 - Decide what information you MUST have and only ask questions that focus on those areas. A good market survey can ask as few as 4-5 questions and take less than ten minutes.
-

MARKET RESEARCH:

Sample Surveys and Questions

The following survey questions are only examples – feel free to change, ignore & add questions as needed for; your specific products and markets. Hecate Strait Employment Society has sample survey formats, should further details on market surveys be helpful

A. Customers

Introduce yourself – get their permission to ask a few questions.

<i>Example: New Business</i>	<i>Example: Existing Business</i>
<i>“Hi. My name is Jane Does and I’m looking at starting a business selling specialty sports equipment. May I have 5 minutes of your time to ask you 6 questions?”</i>	<i>“Hi. I’m Jane Doe and I run XYZ Sports. We’re looking at adding new sports lines to our store. May I have 5 minutes of your time to ask you 6 questions?”</i>

Describe the business – keep it very short (3 sentences max.)

Example: “We offer top-quality name-brand equipment for the serious athlete, focusing on examples).

Sample Questions – substitute your good or service for “product” below.

- Where do you currently buy this product? Why?
- What’s most important to you when buying this product?
- How important to you is (list 1-2 features you will offer, such as after-sales service, knowledgeable staff, price, etc.). Consider a scale of 1-5, 1=not important, 5-critical.
- What would you most like to see improved in this area (e.g.: service, delivery time, etc.)?
- When you need to buy this product, where do you look (e.g.: Yellow pages, radio, etc.)?

End with question like: “*If I start this business, may I contact you?*” If they give you permission, take their name, address and phone number to add to your mailing list.

B. Other Firms

Introduce yourself to the owner manager and explain quickly the type of business you want to start. If it is a convenience time, ask them questions such as:

- What kinds of customers do you serve?
- How much competition do you have? How has it changed over time? Why?
- How do you advertise to your customers? What works/does not work? Why?
- What kinds of sales (daily, monthly or yearly – whatever applies) did you achieve in your 1st year? 2nd? 3rd? OR: I hope to sell \$_____ in my 1st year. How does this compare with your experience?

Your Management

Outline your skills, abilities and experience in the following areas:

Technical

Marketing: Sales

Marketing: Promotion

Financial

Organization & Administration

PLANNING YOUR BUSINESS:

G. Your Company's Structure

In this section, you describe your business. Complete this section whether you are planning to start a new business, expand your current business, or purchase an existing business.

Name and Address

If you have not committed to a specific location yet put down the expected site.

Company Structure – Is this a:

- Proprietorship – a business owned, managed and controlled by one person.
- Partnership – a business where two or more people share ownership.
- Limited company – a company that is legally separate from its owners.

Status

Are you starting a brand new business? Taking over an existing business? Expanding your current business? Refinancing your existing debts?

Type of Business

Is this a manufacturing firm, a retail store, or a service?

- Manufacturing firms make goods.
- Retail firms sell goods to consumers.
- Service firms sell their skills to their clients. Their clients may be consumers or other firms. While they may sell some items, their main product is the service they provide.

A business may cover several of these areas such as a manufacturer who sells direct to consumers. If this is the case for you check all that apply. However only check major areas, not those that make up only a small part of your overall business.

Price of Purchase/Expansion

If you are already in a business and plan to expand, give details about the cost of your expansion. If you are planning to purchase an existing business, how much is the price?

Reason for Unprofitability/Decline

If the business has been operating at a loss, what are the reasons? Are they due to one-time events, or is this an on-going problem? If you are planning to purchase an existing business that has this problem, make sure you have plenty of background information on this area.

Your Plans for Change

What will you do differently? What changes will you be making to the business?

Your Company's Structure

Company Name:
Address:

- | | | |
|--|--|--|
| Company Structure:
<input type="checkbox"/> Proprietorship
<input type="checkbox"/> Partnership (#__)
<input type="checkbox"/> Limited Company | Status
<input type="checkbox"/> Startup
<input type="checkbox"/> Purchasing Existing
<input type="checkbox"/> Expanding Existing
<input type="checkbox"/> Refinance | Type of Firm
<input type="checkbox"/> Manufacturing
<input type="checkbox"/> Retail
<input type="checkbox"/> Service |
|--|--|--|

Price of Purchase/Expansion:

Note: Totals for each section are fine. Give a more detailed breakdown of costs in the Use & Source of Funds Section.

Item	Cost
Buildings	\$
Improvements	\$
Equipment	\$
Inventory	\$
Goodwill	\$
Other	\$
TOTAL PRICE	\$

Unprofitability/Decline: Reason

Your Plans for Change

PLANNING YOUR BUSINESS

H. Your Production Plan

Most firms sell goods as part of their business, whether they are manufacturers, retailers or services. Manufacturers make goods, retailers sell them, many services carry them as part of delivering their service. In this section, outline how you will make your product.

1. Facility Required

What special facilities do you require to make your product or provide service? Will you be operating out of your home? If not, where will you be located?

2. Delivery of Products/Supplies

Who are your suppliers? Have you made arrangements for ensuring that your supplies arrive when needed?

3. Technological Innovations in Your Field

Are you in a field where technology is rapidly changing? If so, how can this affect you? If your products can become outdated quickly, you need to be aware of this and make plans accordingly.

4. Age of Your Equipment

If you need equipment to make your good or provide your service, how old is it? Could changing technology turn your equipment obsolete? Does it look like new regulations might force you to change your equipment, or give advantages to competitors with different machinery? Can your equipment adjust to meet these changes?

Your Production Plan

1. Facility Required

2. Delivery of Products/Supplies

3. Technological Innovations in Your Field

4. Age of Your Equipment

PLANNING YOUR BUSINESS:

I. Not-So-Minor Details

Businesses are affected by many regulations, and these cannot be ignored. Items like insurance and administration can be relatively minor details, if they are handled properly. If not, they can consume a great deal of your time (and money).

1. Licenses and permits

- ø Business License – Do you have your current license from the local government?
- ø Name and registration – Have you registered your company’s name with the Provincial Registrar of Companies?
- ø Provincial Sales Tax – Do you have a Social Services Tax Number (or Exceptions Certificate Number)?
- ø GST – Have you registered?
- ø Revenue Canada – Do you have an Employer Registration number?
- ø WCB – Do you require a Workers Compensation Board assessment number?
- ø Zoning – Which zoning regulations apply to your business? How will you be affected?

2. Insurance

What types of insurance will you need? How much does each type cost? Show the costs in the Cash Flow, which is in the financial section.

3. Administration

Who will handle your: bookkeeping, year-end accounting/taxes, legal matters?

Specific contacts for each area
are given in the next section.

(Start up Checklist)

Not-So-Minor Details

1. Licenses and Permits

Business License: _____
Name Registration: _____
Provincial Sales Tax: _____
GST: _____
Revenue Canada: _____
WCB: _____

Special Licenses:

Zoning:

2. Insurance: Types Needed

3. Administration

Bookkeeping: _____
Year-End Statements: _____
Legal: _____

PLANNING YOUR BUSINESS:

Start-Up Checklist

Register Your Company Name

To register your business, contact the B.C. Government Access Centre in your community (see list at the bottom of the next page).

Insurance

Think about your insurance needs, including things like theft, fire and liability. Talk to an insurance agent. It is important to make sure you are adequately protected, so that you are covered if something goes wrong.

Zoning

Make sure that the zoning regulations allow your type of business to operate in the location you want. ***Don't assume – check!*** This is particularly important for home-based businesses. Contact your municipal planning department (“Municipal Governments,” next page).

Business License

Licenses can be obtained from your municipality (see list on the next page).

Other Licenses

You may require special licenses from the Municipal, Regional, Provincial and/or Federal governments, depending on your business. Check with the appropriate agencies.

GST

Check to see if you are required to charge GST. Inquiries and registration can be made at the GST office, 280 Victoria Street, Prince George, B.C., V2L 4X3 or (800) 463-6737.

Provincial Sales Tax (PST)

Contact your nearest Access Centre. (see list on the next page)

Employees

If you are employing people, pick up:

- The Employment Standards Bulletin and Human Rights information at the Access Centre;
- An Employer's Registration Number from Revenue Canada's Source Deduction Section for E.I. and C.P.P. deductions (800) 463-6737.

Workers Compensation (WCB)

Information about whether you need to carry WCB coverage and the costs can be obtained from the WCB office 4450 Lakelse Avenue, Terrace, B.C. V8G 1P2. Telephone enquiries for Employer Services/Assessments may be made to 1-888-922-2768.

Employee Training

Assistance may be available to locate, train or hire new employees. Contact:

Human Resources Development Canada
420 – 309 – 2nd Avenue West
Prince Rupert, B.C.
V8J 3T1

Municipal Government Offices are located at:

Prince Rupert
City of Prince Rupert
424 – 3rd Avenue West
Prince Rupert, B.C.
V8J 1L7

District of Port Edward
District of Port Edward
770 Pacific
Port Edward, B.C.
V0V 1G0

B.C. Government Access Centres

Prince Rupert
201 – 3rd Avenue West
Prince Rupert, B.C.
V8J 1L2

The Prince Rupert Government Agent's Office services the communities of:

• Digby Island	• Metlakatla
• Hartley Bay	• Porcher Island
• Klemtu	• Port Edward
• Kitkatla	• Port Simpson
• Kincolith	• Prince Rupert

One-Stop Business Registration (OSBR) is available through the Government Agent's office. This is a relatively new service which is a two-step process to get your business up and running. Step 1: Choose a name for your business. Simply fill out the form including three names for your business with the One Stop Business Registration on-line service. OSBR reduces time and paperwork, because you need only go to the Government Agents office to apply for the following; provincial sales tax, GST, WCB and registering your business as a proprietorship or partnership.

NOTES

NOTES

Your Financial Needs

Your Financial Needs

In the previous section, you covered the vision of your business – the products you will sell, your customers, how you stack up against your competition, the equipment you need, our marketing plan and so on. Now you can determine how much money you will need to get the business off the ground and keep it going.

Determining your financial needs involves these areas:

- Use & Source of Funds – how much money you need and where you will get it from
- Owners Drawings – calculation of your personal living expenses and the amount you plan to take out of the business.
- Sales Forecast: Assumptions – what you base your sales forecast on.
- Cash Flow Projection – a 12 month estimate of sales and cash into your business.
- Arranging Financing – information needed to get any loans/investments you require to start the business.

Each of these is covered in detail in the following pages.

PLANNING YOUR BUSINESS

K. Use and Source of Funds

This section outlines the money that you will need to start your new business or expand your existing business along with where the money will be coming from. The first part (what you need) is the Use of Funds, while the second (where it comes from) is the Source of Funds.

Use of Funds

This section should cover whatever you need to start or expand your business, including items you already have. Let's assume your business requires \$10,000 in equipment to operate and you already have \$3,000. You would show the full picture (\$10,000) in the appropriate section of the Use of Funds, **NOT** just the part that you don't have yet (\$7,000).

The Use of Funds is a summary showing the amount needed in each area. While it shows the complete picture, it is not necessary to put every single item on the sheet – only major items should be listed individually. If you have an itemized list, feel free to attached it to the plan.

The Use of Funds covers the following categories:

- Capital Items – major pieces of equipment you need to start or expand.
- Inventory
- Other costs – advertising/marketing, business licenses, accounting/bookkeeping fees and other costs related to start-up or expansion.
- Renovations
- Operating line – similar to a line of credit; these are funds you need to carry you through slow periods and provide a “buffer” for your operation.

Complete only those categories that apply to your business. List the items you are contributing to the business separately from those you will have to buy. Using the same example, you would show \$3,000 in the owned equipment and \$7,000 in equipment to be purchased/leased, rather than a \$10,000 total.

Source of Funds

Once you know what your needs are, you need to determine where the money will come from. List the cash and assets that you are contributing to the start-up or expansion. Show the full amount for any leases, bank loans, investments by partners or other investors and the like.

Use of Funds

Capital Items	Have already	Need to Buy
	\$ _____	\$ _____
	\$ _____	\$ _____
	\$ _____	\$ _____
	\$ _____	\$ _____
	\$ _____	\$ _____
<u>Inventory:</u>	\$ _____	\$ _____
	\$ _____	\$ _____
<u>Other Costs:</u>	\$ _____	\$ _____
	\$ _____	\$ _____
	\$ _____	\$ _____
	\$ _____	\$ _____
<u>Renovations:</u>	\$ _____	\$ _____
<u>Operating Capital/Line:</u>	\$ _____	\$ _____
TOTAL USE OF FUNDS	\$ _____	\$ _____

Source of Funds

<u>Bank/Credit Union/Trust Company/BDC</u>	\$ _____
<u>Community Futures Loan</u>	\$ _____
<u>Personal Investment</u>	Cash \$ _____
	Assets \$ _____
<u>Other (specify)</u>	\$ _____
TOTAL SOURCE OF FUNDS	\$ _____

PLANNING YOUR BUSINESS

L. Owner's Drawings

In this section, you calculate the funds you need to meet your personal living expenses.

There are two types of expenses you must consider; monthly and annual. In the Owner's Drawings section on the next page, list both types on the sheet provided. Also list any other sources of income for you, such as spousal income.

The amount in this section is the MINIMUM you can take from the business. You can take more than this, but you cannot take less. For example, your minimum living expenses may be \$1,900. You could not take less out of the business to live on, though you could choose to take more (e.g.: \$2,500 per month).

Owner's Drawings

<u>Rent or Mortgage Payment</u>	\$	
<u>Food</u>	\$	
<u>Telephone</u>	\$	
<u>Heat</u>	\$	
<u>Light</u>	\$	
<u>Car Expense</u>	\$	
<u>Clothing</u>	\$	
<u>Entertainment</u>	\$	
<u>Medical Expenses (including B.C. Medical)</u>	\$	
<u>Other</u>	\$	
<u>Other</u>	\$	
<u>Total Expense</u>	\$	
<u>Less: Other Sources of Income</u>	\$	
<u>Minimum monthly Owner's Drawings required.</u>	\$	

YEARLY EXPENSES

Item	Month Due	Amount
<u>House Insurance</u>		\$ <u> </u>
<u>Vehicle Insurance</u>		\$ <u> </u>
<u>Life Insurance</u>		\$ <u> </u>
<u>Property, Water/Sewer Taxes</u>		\$ <u> </u>
<u>Personal Income Taxes</u>		\$ <u> </u>
<u>Other</u>		\$ <u> </u>
<u>Other</u>		\$ <u> </u>

PLANNING YOUR BUSINESS

M. Sales Forecasts

The Market Research section asked you to explain how you arrived at your predicted sales amount. In this section you state what those expectations are. If your projections are based on your many years' experience in the field, say so. However, the more information you can provide to show how you came up with your sales forecast, the more accurate (and meaningful) they will be.

The assumptions should consider any major areas that can affect your business. For example a retail store should consider the effects of Christmas on their November and December sales.

Factors could include things like:

- Seasonal Conditions – weather, Christmas, etc.
- Economic Conditions – logging downtime, housing construction, etc.
- Customers – the number of customers you expect to be working with daily, weekly or monthly.
- Marketing – the type of marketing or promotion you will be doing during this time and the number of hours you plan to devote to it.

Sales forecasts must be supported by market research
to be credible.

Estimate sales for each general type of product that you plan to offer, by month. For example a jewelry business may plan to offer products in four areas – gold jewelry; fashion jewelry; gifts (men's, ladies, children's); and china & silver. The entrepreneur would make sales forecasts for each of the four areas, NOT for every single item that the store carries.

Taking into account the factors listed above, you can then estimate your sales for the month. For each area of your business, estimate:

- The average number of items that you will sell in the month or the average number of hours that you will be able to charge for in the month.
- The average price per item, or the average hourly rate you will charge.

SALES FORECASTS

	Month 1	2	3	4	5	6	7	8	9	10	11	12
Product 1: Sales/Hours Billed												
Hourly Rate												
Product 2: Sales/Hours Billed												
Hourly Rate												
Product 3: Sales/Hours Billed												
Hourly Rate												
Product 4: Sales/Hours Billed												
Hourly Rate												

PLANNING YOUR BUSINESS:

N. Cash Flow

The key to remember in preparing a cash flow is that you are not trying to determine a profit or loss yet – you are trying to predict the timing of cash in or out of your bank account.

When preparing your cash flow, keep in mind the following points:

1. Don't spread costs evenly over the year. If insurance costs \$1,200 per year and is payable in May, put the whole \$1,200 in that month. Do not put in \$100 each month.
2. Remember the timing of collections on accounts receivable. If you offer 30-day terms, show the cash received in the month following the sale.
3. Take the time to do it right. The cash flow is an important first step in preparing your entire financial forecast. Most of the data collected here is used on balance sheet and income statement forecasts also.

Cash In

Use the sales forecasts you did in the last section to estimate cash into your business. Don't forget any credit terms you may provide – if you agree to payment in 30 days, a sale in January will show up as cash to you in February, under the line "Accounts Receivable".

Cash Out

Expenses are listed in detail in the cash flow form. However, they fall into several categories.

Cost of Goods – This relates directly to the forecasted cash sales. Cost of goods is usually a percentage of sales. For example, the jewelry store mentioned above could find that for every \$1,000 they sell in gold jewelry, their costs run \$600. Their Cost of Goods would be 60% of sales.

Labour/Staff Costs – this should reflect the number of employees, including wage rates. Also include employee deductions that you are responsible for (EI, CPP, WCB, vacation pay, etc.). As a general rule of thumb, these items usually amount to at least 10% of the wage costs.

Marketing Expenses – These are costs for advertising, promotion and so on.

Facilities Expenses – This category includes the cost of your store/shop and any equipment required to provide your product. This covers areas such as rent paid for a store/shop/warehouse; improvements/upgrades to store (called leasehold improvements); purchase of rental equipment; and so on.

Borrowing Costs – The cost to repay any loans that your business may require. Include loan payments to banks and the CFDC.

CASH FLOW FORECAST – Year 1

	Month 1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Cash from sales													
Cash from A/R													
Other Cash (e.g. SEB)													
Total Cash In													

	Month 1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Advertising/Marketing													
Cost of Goods													
Supplies													
Purchase of Assets													
Maintenance/Repairs													
Rent of premises													
Utilities (excl. phone)													
Renovations													
Owner’s Drawings													
Staff Wages/Labour													
Professional Services													
Licenses, permits													
Insurance													
Automobile, travel													
Office Supplies													
Telephone													
Loan Payment #1													
Loan Payment #2													
Other													
Total Cash Out													

	Month 1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Starting Cash Balances													
Cash In less Cash Out													
Ending Balance													

PLANNING YOUR BUSINESS

O. Arranging Financing/Investment

By this point you will know whether your business will require financing or investment. If you need to borrow money, the information in the business plan will help you greatly in arranging financing.

For many small businesses, a proposal is short – often no more than 2-5 pages of description, plus financial information. Have the rest of your information handy though, just in case the investor commercial lender asks to see it.

The summary must show the lender or investor that the business seems viable, that your customers want the product and that you are the person/people to do the job. It should have the following sections.

The Business

- The products you will offer – the goods you will sell or the services you will provide.
- Your niche – where you fit into the market, what you offer your customers that's unique, why they will come to you instead of your competitors
- Your plans to expand or change your existing business (if applicable).
- Your location (if it is important to the business) and the benefits it offers.
- The customers who will use your products and how the products feel their needs.
- How you plan to promote the business to each kind of customer.
- Your competitors, their focus, your niche in the market, the advantages & disadvantages of your products and your plans to deal with your weak areas.

Market Research

- The market research that supports your sales forecasts.
- Any other information that applies to your specific business that is important.

Management/Staff

- Your skills and abilities to do the job. Cover each area:

Technical – making the goods or providing the service

Marketing & Promotion – telling the customer to buy from you

Financial/Organizational

A summary for each person setting the direction for the company should be provided to show their skills, abilities and work experience (2-3 paragraphs per person).

- Staff skills needed – number of people and any special skills required.
- Attach resumes of each person setting the direction for the company with your application.

In addition to the summary, there is some important information that you need to present to potential lenders or investors.

1. Financial Information

Include financial projections that show the viability of the business and its ability to repay the loan or investment.

- Cash Flow projection
- Income Statement and Break-Even forecasts
- Use & Source of Funds

2. Supporting Documents

All Businesses:

- Letters from prospective customers stating their willingness to use your products (best suited if your customers are other businesses, rather than the general public.)
- List of all related companies.
- Copies of surveys, statistics or other market research you did.

Existing Businesses:

- Financial statements for at least the previous 3 years and preferably 5 years.
- Current financial position (preferably within 3 months).

3. Loan Security

Lenders also want to know what assets are available to secure their investment, in case things don't go as expected. List these assets, along with serial numbers where appropriate and market value, on the sheet on the next page. "Market value" refers to the amount that the asset could be sold for, NOT the original price you paid for it!

Only list the assets that could be sold should the business go under. Do not include renovations to buildings, advertising, or other "intangible" items.

Things To Do List

NOTES

PLANNING YOUR BUSINESS:

SELF-EMPLOYMENT BENEFITS PROGRAM

The Self Employment Benefits Program (S.E.B.) is a Federal Government initiative intended to assist past and present Employment Insurance (E.I.) recipients to become self-employed.

The goal of the program is to help people establish an income generating business that will allow them to become self sufficient and independent. The S.E.B. Program provides assistance in the preparation of a Business Plan, Small Business Training, Counseling on all aspects of starting or taking over a Business, use of a resource library, a public computer with Internet and word processing and income support for 36 weeks.

Who Can Apply?

To be eligible you must meet the following:

- ✓ Must be receiving Employment Insurance benefits or Reachback status whereas you have had an EI claim in the past 3 years or a Maternity/Parental claim in the past 5 years.
- ✓ You must reside and plan to operate your Business in the area of Prince Rupert, Port Edward, Queen Charlotte Islands/Haida Gwaii or the surrounding Northcoast villages.
- ✓ Have not participated in the Self Employment Assistance Program by HRDC in the last 5 years.
- ✓ The business must be new to the applicant, independent and not funded on a commission basis. You must be the Owner/Manager of the business (50%) and agree to work full time a minimum of 30 hours a week.
- ✓ You must provide a business plan which is accepted by the Hecate Strait Selection Committee, showing potential for long term self employment. In certain cases business equity (cash or other assets needed to start your venture) may be required at the discretion of the Selection Committee.

The S.E.B. Program is administered through the Hecate Strait Employment Society.

For further information on the Program, contact Hecate Strait, 612 Second Avenue West, Prince Rupert, B.C. V8J 1H2, phone 250-624-9498, fax 250-627-4397 or toll-free 800-808-3988.